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FISCAL IMPACT STATEMENT

LS 7825

BILL NUMBER: SB 327

NOTE PREPARED: Mar 23, 2005

BILL AMENDED: Mar 21, 2005

SUBJECT: Property Tax.

FIRST AUTHOR: Sen. Hume

FIRST SPONSOR: Rep. Espich

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *General Reassessment:* This bill delays the next general reassessment of real property by two years and requires general reassessments every five years thereafter. It requires the Department of Local Government Finance (DLGF) to approve a determination by assessors to not employ a professional appraiser for a general reassessment.

Annual Assessment Adjustments: The bill delays until 2006 implementation of annual adjustments of real property tax assessments. The bill phases in the annual adjustment of the assessed value (AV) of real property for property taxes payable in 2007 over five years. It amends the factors to be included in the annual adjustment rule of the DLGF. This bill allows assessors to employ professional appraisers to assist with annual adjustments. It also requires the DLGF to review and certify annual adjustments, establish local deadlines in the determination of annual adjustments, and provide training to assessors and county auditors in the verification of sales.

Agricultural Land Base Rate: It sets an agricultural land base rate of \$880 per acre for property tax assessments in 2005 and 2006. The bill establishes the method by which the DLGF sets the agricultural land base rate for assessments in later years.

Property Tax Management System: This bill requires the DLGF to adopt rules for the establishment of a statewide integrated property tax management system.

State Takeover of Assessment Duties: The bill allows the DLGF to take over local assessment, reassessment, or annual adjustment activities if it determines that the activities are not being performed properly. It requires

payment for state conducted assessment or reassessment activities from the county property reassessment fund and establishes a schedule of levies for that fund.

Sales Disclosure Forms: This bill renames the Assessment Training Fund as the Assessment Training and Administration Fund. It extends for four years the \$10 sales disclosure form filing fee and requires deposit of 40% of the revenue from the fee in the Assessment Training and Administration Fund instead of the state General Fund. The bill allows the Indiana Board of Tax Review (IBTR) to use money in the fund to conduct appeal activities.

PTRF Funds Withheld: The bill directs the Department of State Revenue to withhold State Property Tax Replacement Fund (PTRF) distributions to counties for various reasons.

Taxpayer Representatives: This bill prohibits an appraiser or a technical advisor that serves a township or county from representing taxpayers in the county.

Exemption: The bill authorizes a refund of property taxes paid by an exempt sorority that meets certain criteria.

Assessment Registration Notice: This bill also allows the filing of an assessment registration notice with the county assessor or the area plan commission.

Integrated Steel Mill Equipment Property Tax Valuation. The bill provides that special integrated steel mill equipment property tax valuation applies only if the mill produces steel in a blast furnace in Indiana.

Certification of Computer Specification Standards: The bill provides that the DLGF does not prescribe computer specification standards for the certification of computer operating systems.

School Corporation Payment of Loan: It allows a school corporation to repay a Rainy Day Fund loan from the school corporation's debt service fund.

Youth Soccer Organization Retroactive Property Tax Exemptions and Refunds: The bill authorizes a nonprofit youth soccer organization to claim retroactive property tax exemptions and refunds for property taxes paid in previous years.

Religious Institution Tax Exemption: It authorizes certain religious institutions to claim missed property tax exemptions retroactively.

Hearings on Appeals of Budgets, Rates, and Levies: This bill requires the DLGF to publish notice and hold a hearing on an objecting petition concerning budgets, rates, and levies filed by taxpayers. It eliminates the limitation against filing such a petition unless a certain percentage of petitioners also objected locally. It allows a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision to appeal from the county board of tax adjustment's action on the political subdivision's budget. It requires the DLGF to provide written notice of the hearing on an appeal from the county board of tax adjustment's action to the taxpayers who initiated the appeal. It prohibits the DLGF from holding a hearing on local budgets, rates, and levies if an informational notice is not published by the county auditor at least ten days before the date of the hearing. It requires the DLGF to certify its action after a hearing on a political subdivision's budget, rate, and levy to the taxpayers that had appealed from the county board of tax adjustment's action and to a taxpayer that

owns property that represents at least 10% of the taxable AV in a political subdivision. It allows a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision to petition for judicial review of the DLGF's final determination.

Effective Date: (Amended) Effective January 1, 2004 (Retroactive); January 1, 2005 (Retroactive); Upon passage; July 1, 2005.

Explanation of State Expenditures: *Property Tax Management System:* Under this provision, the DLGF would adopt rules before July 1, 2006, to establish a uniform and common property tax management system that integrates mass appraisal, county auditor, and county treasurer systems. The system would replace the current systems that serve these functions. The rule would contain a schedule for implementation of the system.

The DLGF would appoint an advisory committee to assist in the formulation of the rules. The DLGF would determine the number of members of the committee, which must include at least 1 township assessor, 1 county assessor, and 1 county auditor. All members of the committee would be entitled to reimbursement for traveling expenses and other actual expenses.

The DLGF would report an estimated cost to implementation the system to the State Budget Committee.

According to the DLGF, the Department would need two additional full-time professional staff in order to implement this proposal. The estimated additional personnel expense for salary, fringe benefits, and indirect costs is about \$100,000 per year.

DLGF Takeover of Assessment: This bill would allow the DLGF to order a state-conducted assessment or reassessment if the DLGF determines through periodic inspections that a general reassessment or other assessment activities, whether in a reassessment year or not, are not being properly conducted.

If the DLGF orders a state-conducted reassessment, the DLGF must assume the duties of the county's reassessment officials. Before assuming the duties, the DLGF must transmit a copy of the order requiring a state-conducted reassessment to the county's assessment officials, the county fiscal body, the county auditor, and the county treasurer. Notice of the DLGF's actions must be published in a newspaper of general circulation in the county. However, the DLGF is not required to conduct a public hearing.

The assessment or reassessment duties of an assessment official in the county would be limited to providing the DLGF or its contractor with support and information. Township and county officials must make available all data, records, maps, parcel record cards, forms, computer software systems, computer hardware systems, and other information related to the assessment or reassessment of real property in the county. The information must be provided at no cost to the DLGF.

The DLGF may enter into a contract with a professional appraising firm to conduct an assessment or a reassessment. If a county or township has already entered into a contract with a professional appraising firm to conduct the reassessment, the contract must be treated as a contract of the DLGF. After receiving the report of AVs from the appraisal firm acting under a contract, the DLGF must give notice to the taxpayer and the county assessor, by mail, of the amount of the assessment or reassessment. The notice is subject to appeal by the taxpayer and must include the taxpayer's rights. The DLGF must forward a bill for service provided under contract to the county auditor. The Commissioner of the Indiana Department of Administration, the Director of the Budget Agency, and the Attorney General have seven days to review and act on a contract of the

Department.

A contractor may notify the DLGF if a county fails to pay the bill. The DLGF must verify the accuracy of the contractor's assertion and provide to the Treasurer of State the DLGF's approval of the contractor's bill. Upon receipt, the Treasurer of State must pay the contractor from money in the possession of the state that would otherwise be available for distribution to the county, including distributions from the Property Tax Replacement Fund (PTRF) or distribution of admissions taxes or wagering taxes. Money from the PTRF must be withheld first and then from all other sources

If the DLGF or the contractor find that the land values determined for the county do not reflect the true tax value of land, the DLGF or the contractor must determine land values. The DLGF or the contractor must notify the county's reassessment officials of the land values.

The DLGF may, in a contract amendment or an additional contract, require the contractor to represent the DLGF in appeals and to afford the taxpayer an opportunity to attend an informal hearing. After the hearing, the contractor would forward recommendations pertaining to assessment changes to the DLGF. A taxpayer must initiate the informal hearing by notifying the DLGF not later than 45 days after the DLGF gives notice to the taxpayers of the amount of the reassessment. The DLGF must send the results of the hearing to the taxpayer, the county auditor, the county assessor, and the township assessor. If the DLGF does not send the notice within 270 days, the DLGF may not change the amount of the assessment or reassessment and the taxpayer may appeal. The DLGF may adopt rules to implement the above provisions.

The overall impact of the above provisions is indeterminable and will depend on the number of counties for which a state-conducted assessment or reassessment is ordered.

Indiana Board of Tax Review: The IBTR would be permitted, under the bill, to contract with, appoint, or designate licensed appraisers, attorneys, level II assessor-appraisers, IBTR administrative law judges, or other qualified individuals to serve as special masters to conduct hearings on appeals filed by taxpayers in a county under a state-assessment order. The IBTR would be permitted to make final determinations without additional hearings by the board. Compensation for the contractors would be paid from county funds.

(Revised) Annual Assessment Adjustments / Agricultural Land Base Rate: Under current law, annual adjustments to real property AVs will begin with March 1, 2005, assessments for taxes payable in 2006. The DLGF has adopted a rule establishing a system for annually adjusting the AV of real property to account for changes in value in those years since a general reassessment of property last took effect.

Under current law, the adjustment system must:

- (1) First take effect with 2005 assessments, payable in 2006;
- (2) Use objectively verifiable factors used in mass valuation techniques that are reasonably expected to affect the value of real property in Indiana;
- (3) Use as many adjustment percentages and whatever categories of percentages the DLGF finds necessary to achieve objectively verifiable, updated, just valuations of real property; and
- (4) Prescribe procedures, including computer software programs, that permit the application of the adjustment percentages in an efficient manner by assessing officials.

Under this proposal:

- (1) The adjustments would first take effect with 2006 assessments, payable in 2007, a one-year delay.
- (1a) The adjustment that would be made for pay 2007 (first year under the delay) would be phased in over 5 years. The phased in amount for 2007 would be combined with the single year adjustment effective each year in 2008 through 2011.
- (1b) The base rate for farm land would be set at \$880 per acre for taxes paid in 2006 and 2007. After 2007, the base rate would be set annually based on the proportional changes in assessments of other real property, beginning with the \$495 per acre rate from 2001 Pay 2002.
- (2) Assessing officials would reevaluate factors that affect value, compute factors, and use mass appraisal techniques to estimate updated values.
- (3) There would be no specific requirement concerning the use of a certain number of adjustment percentages or categories.
- (4) Computer software programs would not have to be prescribed by the DLGF.
- (5) Assessing officials would be required to provide taxpayers with a notice of assessment increase.

The bill would require assessing officials to continue work to satisfy the deadlines contained in the rule. The DLGF would be required to notify county assessors of deadlines for the determination of annual adjustments for assessments in 2006 and for the submission of annual adjustments to the DLGF for review.

Under current law, the additional PTRC and homestead credit payments that are attributable to the annual adjustments are estimated at \$48 M in CY 2006. This amount grows each year. The one year delay, 5 year phase-in, and change in the farm land base rate under this proposal would result in a combined state savings of about \$47.3 M in CY 2006, \$49.3 M in CY 2007, and \$42.7 M in CY 2008. Savings would continue through CY 2011. The savings would amount to an estimated \$15.8 M in FY 2006, \$48.0 M in FY 2007, and \$47.1 M in FY 2008. Savings would continue in a declining manner through FY 2012. There would be no change in state expenditures after FY 2012.

PTRC and Homestead Credits are paid from the Property Tax Replacement Fund (PTRF). These credits are paid from the state General Fund if insufficient balances are available in the PTRF.

This bill would require the DLGF to review and certify each annual adjustment. The DLGF would also be required to provide training to assessors and county auditors in regard to the verification of sales disclosure forms. These provisions would add to the DLGF's administrative duties. However, the DLGF believes that it can perform these functions with existing resources.

(Revised) *Religious Institution Tax Exemption*: If a religious institution files an exemption under certain conditions, the exemption application is subject to review and action by the Department of Local Government Finance (DLGF). This provision should have no significant impact on the DLGF.

(Revised) *Integrated Steel Mill Equipment Property Tax Valuation*: The state pays PTRC in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences. PTRC and homestead credits are paid from the PTRF. These credits are paid from the state General Fund if insufficient balances are available in the PTRF. Tax shifts to business personal property from other property cause the state's expense for PTRC and homestead credits to decline. The reduction in state expense for these credits under this provision is estimated at \$400 in FY 2005 (partial year), \$3,000 in FY 2006, and \$9,000 in FY 2007.

(Revised) *Hearings on Appeals of Budgets, Rates, and Levies--Local Objections to Budgets, Rates, or Levies, and Appeals to the DLGF.* Under existing law, 10 or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision by filing an objection petition with the political subdivision not more than 7 days after the hearing before the adoption of the budget. If a petition is filed, the fiscal body of the political subdivision must adopt with its budget a finding concerning the objections in the petition and any testimony presented at the adoption hearing. The budget is then sent to the county board of tax adjustment to determine if the maximum aggregate tax rate permitted is not exceeded. As soon as the budgets, tax rates, and tax levies are approved or modified by the county board of tax adjustment, the county auditor must within 15 days prepare a notice of the tax rates to be charged on each \$100 of AV for the various funds in each taxing district. The notice must also inform the taxpayers of the manner in which they may appeal the county's action.

(Revised) *Hearings on Appeals of Budgets, Rates, and Levies--Appeal to the DLGF.* Under existing law, if the fiscal body of the subdivision and the county did not change the budget and levy in response to the taxpayers petition, a group of 10 or more taxpayers may not initiate an appeal to the DLGF against provisions of the budget and tax levy if less than 75% of the taxpayers on the petition to the DLGF were on the original petition to the local subdivision. The proposal eliminates the limitation against filing a petition unless a certain percentage of petitioners also objected locally. It also allows a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision to appeal to the DLGF.

It also provides that in the case of a petition to the DLGF, the DLGF must give at least a five-day notice to the first 10 taxpayers whose names appear on the petition of the date, time, and location of the hearing on the objection. The DLGF must also give notice if only one taxpayer appeals if the taxpayer owns at least 10% of the AV. After the hearing, the DLGF must consider the testimony and evidence submitted at the hearing, certify its actions, and mail a written determination and statement of findings to the first 10 taxpayers whose names appear on the petition or one taxpayer if the taxpayer owns at least 10% of the AV appeals.

The DLGF may hold the hearing in response to a petition in conjunction with the DLGF's annual hearing of the budget conducted in the county. The bill also provides that the DLGF may hold a local budget hearing only if a notice of the hearing is published by the county auditor at least 10 days before the date of the hearing.

The above provisions could result in more petitions being filed with the DLGF with a consequent increase in administrative costs to the DLGF; however, it is presumed that the DLGF will be able to cover any additional expenses given its existing budget and resources.

(Revised) *Hearings on Appeals of Budgets, Rates, and Levies--Judicial Review.* The bill provides that the first ten taxpayers on the petition or a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision may petition for judicial review of the DLGF's final determination. This provision may result in more petitions. However, the Indiana Tax Court should be able to absorb any additional expenses given its existing budget.

(Revised) *Hearings on Appeals of Budgets, Rates, and Levies--PTRC and Homestead Credits.* If local levies change as a result of the bill, state payments for PTRC and state homestead credits could also change. The impact, if any, is indeterminable.

(Revised) *School Corporation Payment of Loan.* This provision would have no state impact because the state does not pay PTRC on the debt service fund.

Explanation of State Revenues: DLGF Takeover of Assessment: Under the bill, an official who fails to provide information requested by the DLGF or its contractor would commit a Class A misdemeanor. The maximum fine for a Class A misdemeanor is \$5,000.

Sales Disclosure Forms: Under current law, the state Assessment Training Fund receives revenue from a portion of the filing fee for each sales disclosure form that is filed. Money in the fund is used by the DLGF to cover expenses for training local officials.

Under current law, the fees and distribution by year are as follows:

Prior to CY 2004 AND After CY 2005: Of a \$5 total fee, \$4 is deposited into the county sales disclosure fund and \$1 is deposited into the state Assessment Training Fund.

CY 2004 and CY 2005: Of a \$10 total fee, \$5 is deposited into the county sales disclosure fund, \$4 is deposited into the state General Fund, and \$1 is deposited into the state Assessment Training Fund.

Under the bill, the state Assessment Training Fund would be renamed the state Assessment Training *and Administration* Fund. The \$10 filing fee would be extended through the end of CY 2009. Beginning on July 1, 2005, all of the state's share (\$5) would be deposited into the new fund. The IBTR would be permitted to use part of the money in the new fund to conduct appeals or pay for appeal services.

FY 2004 revenues in the state Assessment Training Fund were \$221,888 at \$1 per filing. Revenues over the last five years have averaged around \$200,000 per year. If the fee is kept at \$10 (\$4 increase for the state) for the additional four years, then compared with current law, total state revenues would increase by about \$800,000 in each year from CY 2006 through CY 2009. Revenue for the state Assessment Training and Administration Fund would increase by about \$800,000 per year in FY 2006 through FY 2009 and \$400,000 in FY 2010. Revenue for the state General Fund would be reduced by \$400,000 in FY 2006.

(Revised) *Integrated Steel Mill Equipment Property Tax Valuation:* The state levies a tax rate for State Fair and State Forestry. The increase in the AV base under this bill would similarly change the property tax revenue for these two funds. The increase would be minimal.

Explanation of Local Expenditures: General Reassessment: Under current law, the next general reassessment is scheduled to begin on July 1, 2007 and is to be completed by March 1, 2009 with tax billings first affected in CY 2010. Future reassessments are to be completed every four years after that. This bill calls for this reassessment to begin on July 1, 2009 and to be completed by March 1, 2011, which would first affect tax billings in CY 2012. The state would be put on a five year reassessment cycle after that.

As real property values are adjusted, the relative tax burden between real and personal property, between different classes of real property, and between properties within the same class also changes. Annual adjustments are meant to update assessed values to reflect market conditions each year. During a general reassessment, physical changes to properties are noted and assessed values are update to reflect both changes in market conditions and physical changes to the property. If the annual adjustments achieve their goal, then the real impact of the general reassessment would be the assessment of any physical changes to properties that were not picked up in the interim years.

A delay of the general reassessment could delay some assessment updates or corrections to assessments on real property. This delay could cause some part of the tax shift that results from the general reassessment to be

delayed. However, in most cases, any resulting tax shifts, or lack thereof, should be minimal.

Under current law, with the DLGF's approval, (1) an individual township assessor or (2) all of the township assessors along with the county assessor, may employ professional appraisers as technical advisors to assist with assessments or a reassessment. This bill would require the DLGF to approve a determination by assessors to not employ a professional appraiser for a general reassessment.

(Revised) *Annual Assessment Adjustments*: Under current law, the administration of annual AV adjustments by local assessors is estimated to cost up to \$6 M, statewide. If the effective date of the adjustments is delayed, some of the additional duties that local assessors will have might be able to be delayed from 2005 to 2006. However, much of the work for March 1, 2006, adjustments will still have to be done in 2005. The delay could save some portion, but not all, of the expenses for annual adjustments in CY 2005.

The assessment notice requirement would generate an additional expense for counties. There are approximately 3 million parcels of real property in the state. At the standard letter rate of 37 cents, postage could amount to \$1.1 M per year. There would also be additional printing and stuffing costs associated with the notices.

The cost of local homestead credits would be affected by the delay and phase-in. Ten Indiana counties provide local homestead credits funded with proceeds from the County Option Income Tax. The cost of the local homestead credit will increase along with the state Homestead Credit under annual adjustments. The increase in CY 2006 under current law is estimated at \$3.9 M. The delay and phase-in under this proposal would result in local homestead credit savings of part of that amount in CY 2006 through CY 2010. The amount spent on local homestead credits reduces the amount available for distribution to the civil taxing units in the county. So, the savings would be distributed to local civil units.

Local officials could face some additional costs in administering the phase-in of the 2007 adjustment.

(Revised) *County Reassessment Fund*: Expenditures for making annual adjustments and verification of sales disclosure forms would be paid from the reassessment fund under the bill. The county council would be required to appropriate the necessary funds to pay for employment expenses related to annual adjustments. (County councils must currently appropriate the necessary funds to pay for employment expenses related to general reassessments). Under current law, appropriations from the county reassessment fund may be approved by the county fiscal body only after review by the county assessor. This bill would remove the county assessor's review of these appropriations.

Currently, the DLGF may raise or lower the reassessment fund levy if appropriate because the estimated cost of a general reassessment has changed. This bill also allows the adjustment if the estimated cost of making annual adjustments has changed.

The bill also allows local assessors to petition the county fiscal body to increase the reassessment fund levy to pay the cost of (1) a general reassessment, (2) sales disclosure verification, or (3) processing annual adjustments. If the county fiscal body denies the petition, the assessor may appeal to the DLGF. The DLGF would hear the appeal and determine whether the levy is necessary.

The reassessment fund is subject to the county's maximum permissible levy. This bill does not grant any additional levy authority. Therefore, if the reassessment fund levy is increased under any of the above provisions, the levy of other controlled funds would have to be reduced by a similar amount.

DLGF Takeover of Assessment: A contractor must file with the county auditor a duplicate copy of the bill submitted to the DLGF along with proof of the Department's approval. Upon receipt, the county auditor must immediately certify that the bill is true and correct without further audit, publish the claim, and submit the claim to the county executive. The county executive must allow the claim, as approved by the DLGF, and the county auditor must immediately issue a warrant or check for the full amount of the claim. Payment of the claim is not subject to remonstrance and appeal.

Assessment Registration Notice: Under current law, a property owner that demolishes, modifies, or improves the property at a cost of at least \$500 must file a registration notice with the county assessor. This provision would permit the owner to file the notice with the area plan commission. The plan commission would forward a copy of each registration to the county assessor by the 10th of each month. This provision should have no real local fiscal impact.

(Revised) Youth Soccer Organization Retroactive Property Tax Exemptions and Refunds: This bill applies to the Zionsville Youth Soccer Association. The bill provides an exemption for the Association from property taxes first due and payable in 2000, 2001, 2002, 2003, and 2004. Other eligible associations, if any, to which the above provisions would apply are unknown.

The bill allows the association to file claims with the county auditor for a refund for property taxes paid on land and improvements that were billed to the taxpayer for property taxes first due and payable in 2000, 2001, 2002, 2003, and 2004. Upon receiving a claim, the county auditor must submit the claim to the county board of commissioners for review. The only grounds for disallowing the claim is if the claimant does not qualify or if the amount claimed is not correct. If the claim is allowed, the county auditor must without an appropriation being required, issue a warrant to the claimant payable from the county general fund for the amount due the claimant. No interest is payable on the refund.

The county would have to refund \$713 for 2000; \$824 for 2001; \$795 for 2002; \$15,451 for 2003; and \$16,054 for 2004, for a total refund of \$33,837. This provision expires December 31, 2007.

(Revised) Religious Institution Tax Exemption: The bill provides that a religious institution may file an application before May 11, 2005, for exemption of one or more parcels of real property for property taxes first due and payable in 2001 and 2002 under certain circumstances. A religious institution may also file an application before August 1, 2005, for exemption of one or more parcels of real property for property taxes first due and payable in 2001, 2002, 2003, 2004, and 2005, under certain conditions.

The exemption application is subject to review and action by the county property tax assessment board of appeals and is subject to appeal. The religious institution may file a claim with the county auditor for a refund for any payment of property taxes first due and payable, including any paid interest and penalties under certain conditions. Upon receiving a claim for a refund, if the county auditor determines that the claim is correct, the auditor must, without an appropriation being required, issue a warrant to the claimant payable from the county general fund for the amount of the refund due the claimant. Interest is not payable on the refund. Under certain conditions, the county treasurer must forgive the property taxes, penalties, and interest charged to the religious institution for the exempt property in any combination of 2001, 2002, 2003, 2004, or 2005.

This above provision applies to a church and the churches properties in Indianapolis. Other eligible churches, if any, to which the above provisions would apply are unknown. The bill will increase administrative expenses for the county. The bill will also reduce revenue for Marion County and taxing units located within the taxing

district wherein the church property is located by a total of \$100,024.

(Revised) *School Corporation Payment of Loan:* Under current law, Porter County civil taxing units and school corporations were allowed to take loans from the state Counter-Cyclical and Economic Stability Fund (Rainy Day Fund) after the bankruptcy of Bethlehem Steel. Currently, the Duneland School Corporation has three outstanding loans, each in a principal amount of \$4.6 M, totaling \$13.8 M, with an eleven year repayment schedule for each loan. The money used to repay the RDF loans must come from a fund that is subject to the unit's maximum permissible levy or from any available non-property tax source.

The bill allows the Duneland School Corporation to make the loan payments from the school corporations' debt service fund. The school corporation is currently debt making payments of about \$1.2 M per year. The use of the school's debt service fund to make these payments would allow the money from capped funds currently being used to pay the debt to be used for other things. This provision would result in a levy increase of about \$1.2 M per year.

Explanation of Local Revenues: (Revised) *Annual Assessment Adjustments:* Tax shifts between and within property classes that are associated with the annual adjustments would be delayed by one year and then phased in over 5 years under this proposal. Total local revenues would not be affected.

DLGF Takeover of Assessment: If county funds are insufficient to pay for an assessment or reassessment, the DLGF may increase the tax rate and tax levy of the county to pay the cost and expenses related to the assessment or reassessment.

If the county fails to pay the contractor, the Treasurer of State will pay the contractor from money in the possession of the state that would otherwise be available for distribution to the county, including distributions from the Property Tax Replacement Fund or distributions of admissions taxes or wagering taxes.

Sales Disclosure Forms: With the \$10 filing fee extended through the end of CY 2009 (as discussed in *Explanation of State Revenues*), revenues in the county sales disclosure fund would increase by about \$200,000 in each year from CY 2006 through CY 2009.

PTRF Funds Withheld: This bill would require the state to withhold percentage (as determined by the Department of Revenue) of the payments of PTRC and homestead credits if:

1. The county assessor fails to forward sales disclosure forms to the DLGF in a timely manner;
2. Local assessors have not forwarded Form 15 assessment information to the DLGF in a timely manner;
3. The county auditor fails to pay a contractor's bill under state-conducted assessment or reassessment;
4. Local assessors have not transmitted parcel level assessment data to the DLGF by October 1;
5. The county has not established a parcel number indexing system in a timely manner; or
6. A township or county official has not provided other required information to the DLGF in a timely manner.

(Revised) *Exemption:* This bill would retroactively allow an exemption for a nonprofit sorority taxpayer for taxes due in 2003 and 2004 if:

1. The taxpayer was granted an exemption from property taxes due in 2001;
2. The sum total of taxes due in 2003 and 2004 exceeded \$60,000; and
3. The taxpayer would have qualified for an exemption in 2003 and 2004 if the owner had timely filed

for one.

If the taxpayer paid the tax, it may file claims with the county auditor for a refund for the amounts paid from the county general fund. No interest is payable on the refund. The refund would reduce tax revenues in the year paid for the taxing units that serve the taxpayer.

(Revised) *Integrated Steel Mill Equipment Property Tax Valuation*: Under current law and DLGF rules, business personal property, except for integrated steel mill and oil refinery equipment is valued according to a depreciation schedule as specified in the rule. Taxpayers list the cost of depreciable property in one of four "pools", depending on the declared useful life of the property. Each pool has a different set of depreciation rates for each year of age of the property. The cost of equipment is multiplied by the appropriate "percent good" factor in the depreciation schedule to produce the true tax value (TTV) of the equipment. The TTV of all of a taxpayer's depreciable property located in the same tax taxing district must be at least 30% of the total cost of the property. The rule allows for special valuation of special tooling and for an adjustment for abnormal obsolescence of the equipment.

Integrated steel mill and oil refinery/petrochemical equipment may be valued under a fifth pool depreciation schedule. The value of property in this pool is not subject to the 30% floor. Taxpayers who choose to use pool 5 depreciation may not make any adjustments for abnormal obsolescence. A taxpayer may use Pool 5 to value all of their property if at least 50% of the taxpayer's total property cost is attributable to special integrated steel mill or oil refinery/petrochemical equipment.

Under current law, an integrated steel mill is defined as a producer of steel by processing raw materials in a blast furnace. Beginning with taxes paid in CY 2005, this bill would require that the blast furnace be located in Indiana to meet the definition and in order for a taxpayer to use Pool 5 depreciation.

There is currently at least one taxpayer, in Spencer County, that has its blast furnace in another state but used Pool 5 depreciation for its Indiana property. This taxpayer is located in a tax increment financing (TIF) district and currently receives an abatement on its personal property. The TIF was structured so that (1) 10% of the taxpayer's AV is not tiffed, and (2) the taxpayer is responsible for making payments to the redevelopment commission if the TIF proceeds in a year are insufficient to meet annual debt repayment obligations.

According to the county, through its consultant, the taxpayer's total net AV would increase by \$9.7 M for taxes paid in CY2005, \$58.7 M in CY 2006, and \$117.8 in CY 2007 if the use of Pool 5 is disallowed.

10% of the increased AV would be added to the tax base of all of the units that service the taxing district where the property is located. The rest would be tiffed. The addition of AV to the tax base would reduce the tax rate by about \$0.0035 in CY 2005, \$0.0200 in CY 2006, and \$0.0390 in CY 2007. The resulting gross tax shift from all taxpayers to the steel taxpayer is estimated at \$17,000 in CY 2005, \$100,000 in CY 2006, and \$200,000 in CY 2007.

The new tax rate would be applied to the revised tiffed AV to produce the TIF proceeds. Gross TIF proceeds would increase by an estimated \$175,000 in CY 2005, \$1.0 M in CY 2006, and \$2.1 M in CY 2007. The taxpayer's debt guarantee payments would be reduced by this amount. The taxpayer made guarantee payments equal to \$2.2 M in CY 2003 and \$1.2 M in CY 2004. So far, in CY 2005, the taxpayer has made \$250,668 in guarantee payments. This amount is more than the 1st of two 2004 payments. The 1st 2004 payment was \$221,781.

Total local property tax revenues, except for cumulative funds, would not be affected by this proposal. Cumulative fund revenue would rise by an estimated \$2,500 in CY 2005, \$15,000 in CY 2006, and \$30,000 in CY 2007.

(Revised) *Hearings on Appeals of Budgets, Rates, and Levies--Local Budgets*. Consideration of additional petitions on local budgets could result in a change in local levies. If local levies change, the amount of local county option income tax revenue that is used for local homestead credits could also change. The overall impact, however, is indeterminable.

State Agencies Affected: DLGF; Department of State Revenue; State Budget Agency; State Treasurer; State Auditor; Department of Administration; Attorney General; State Fair Board; Department of Natural Resources.

Local Agencies Affected: Local assessors; County auditors; Counties; Boone and Marion Counties and certain local units within these counties; Spencer County Assessor; Spencer County Auditor; Redevelopment Commission; Duneland School Corporation in Porter County.

Information Sources: Dan Mathis, DLGF, 232-3777; Fiscal analysis on administrative rule #02-0297 (50 IAC 21); Zionsville Youth Soccer Association; Minister Murray, International Light; Local Government Database; Property tax return data; H.J. Umbaugh for Spencer County.

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